FINANCE SECRETARIAT

**Insurance of property or goods under the direct or indirect control of Government with the Indian Insurance Companies' Association Pool—Abolition of the Marine Insurance Fund of the India Store Department, London**

## OFFICIAL MEMORANDUM

No. FD 1674-W1 63, DATED BANGALORE, THE ... TH APRIL 1963.

The accompanying Office Memorandum No. PII-15(5)/60, dated the 4th March 1963 received from the Government of India, Ministry of Economic and Defence and Co-ordination (Department of Supply), New Delhi, on the above subject, is hereby republished in continuation of O. M. No. FD 3435/W1-62, dated the 9th July 1962.

R. M VANCHESWARA IYER,
*Under Secy. to Govt., F. D.*

GOVERNMENT OF INDIA.

**MINISTRY OF ECONOMIC & DEFENCE & CO ORDINATION.**

**(Department of Supply)**

No PII-15(5)/60. *New Delhi, Dated the 4th March 1963.*

## OFFICE MEMORANDUM.

*Subject*.—**Abolition of Marine Insurance Fund of the India Store Department, London.**

The Marine Insurance Fund of the India Store Department, London was established several years ago primarily for the purpose of providing compensation to Indentors for loss and/or damage sustained to their goods during ocean voyage where the claims for such losses or damages are not enforceable on either the Carrier or the Supplier. For this purpose a fixed percentage (0 1%) is set aside from the departmental charges levied on the Indentors for arranging shipment on their behalf and the amount so collected forms the Marine Insurance Fund. This Fund was being operated upon on a year to year basis and any debits or credits at the end of each financial year were passed on to the Consolidated Fund of India.

2. This Ministry, in association with the Ministry of Finance (Department of Insurance), have recently reviewed the scope and utility of the Marine Insurance Fund in the light of the problems encountered by the India Store Department from time to time in operating the Fund. It has been observed that in practice the Fund was not able to admit all types of claims which normally arise during an ocean voyage, since it covers risks only under very limited circumstances. It was also felt that so far as Government cargo was concerned, the Government itself does not derive any benefit from

the operation of the Fund because on the one hand it pays premium by way of departmental levy and on the other recovers losses from the Fund. Thus the transactions of the Fund, for all intents and purposes, so far as the Central Government is concerned, are book adjustment transactions. Apart from the above considerations, administratively also, the provisioning of insurance cover to Indentors is not the normal function of the Central Purchase Organisation and the existence of the Fund itself is considered unnecessary particularly as the risks involved do not warrant any departure from the normal policy of Government as self-insurer

3. In view of the reasons stated in the foregoing para, Government consider that no useful purpose would be served in continuing the Marine Insurance Fund and it has therefore been decided that with effect from 1st April 1963, the Fund should be treated as closed. No claims for damages or losses will be entertained by the India Store Department, London from the Marine Insurance Fund for shipments made by that Department after 31st March 1963. In view of the decision taken to abolish the Marine Insurance Fund, all State Governments, Autonomous Government Bodies and Corporations, etc., who utilise the services of the India Store Department for the procurement or shipment of stores, should now consider the desirability of making their own arrangements for insurance, either by way of self-insurance or by insuring their goods with the Indian Insurance Companies Association Pool or in the open market. Such insurance arrangements it is considered would be found more satisfactory from the point of view of flexibility and comprehensiveness. The policy of Government, however, continues to be not to insure Government property and if at all any insurance is considered necessary, it should be done with the Indian Insurance Companies Association Pool.

4. In regard to the levy of departmental charges by the India Store Department, London, as notified in Ministry of Works, Housing and Supply O.M. No. PII-15(5)/61, dated the 4th April 1961, in view of the abolition of the fund, the fixed percentage of levy of 0.1% hitherto set aside for the Marine Insurance Fund out of the Departmental Charges for shipment services, would now cease to be recovered and the departmental charge for arranging shipment would be made at 0·5% (in lieu of 0 6%) in the case of F O.B. contracts and 0.4% (in lieu of 0.5%) in respect of C. & F./C.I F. contracts.

5. All orders issued from time to time in regard to the Marine Insurance Fund would now cease to be operative on implementation of these orders.

6. The above orders may be brought to the nature notice of Indenting Officers immediately, under intimation to this Ministry.

(Sd) R DAYAL,
Under Secretary to the Govt of India.